

11.05.00.00 - NONRESIDENTIAL RENTALS

11.05.01.00 **Fair Market Rent Determinations**

Appraisals shall independently establish, review, and approve fair market rent for nonresidential properties with the following exceptions:

- Nominal value rentals (\$1,200 per year/\$100 per month, or less)
- Oil and gas rights
- Field offices and other properties being used by Caltrans
- Signboard sites
- Porter Bill park leases
- Residential master tenancy leases
- Bid leases
- Bike paths leased to public agencies
- Leases for agricultural, community garden, or recreational purposes under S&H Code Section 104.7
- Interim rent changes (see Section 11.05.04.00 below)

Property Management shall determine the actual rental rates and shall fully justify and document any adjustments from fair market.

11.05.02.00 **Nominal Value Rentals**

Nominal rent is defined as \$1,200 per year/\$100 per month, or less. Many properties cannot be rented for more than nominal rent because of use, size, location, or irregular shape. All nominal rents shall be supported by the use of comparables in the area or other available market data, such as the opinions of realtors or other experts. Consideration shall be given to:

- Length of time the property will be available.
- Market demand.
- Any savings in maintenance costs to the state.

Many parcels of vacant land require annual expenditures by the state for weed abatement and trash removal, and these expenditures can be passed on to lessees with nominal rent leases.

The rental file shall include documentation of the analysis of data used to determine the rental rate, and the Property Manager shall approve the rental rate determination. At the district's option, Appraisals may be used for nominal value rentals.

On other than multi-year leases, all rental rates shall be reviewed annually and adjusted appropriately.

11.05.03.00 **Rental Grace Period on Business Properties**

See Relocation Assistance Chapter, Section 10.06.16.02, for information on rental grace periods.

11.05.04.00 **Rental Rate Increases Prior to Appraisal**

When Appraisals is unable to furnish the fair market rent for nonresidential properties on a timely basis, and where the existing rental rates are thought to be substantially below market, Property Management may establish interim rental rates based on the best available data. When a rental rate is established without an appraisal determination, the Agent shall inform the lessee that the rental rate is temporary, pending an appraisal determination. A clause similar to the following should be included in the rental agreement or lease:

Lessee agrees that the rental rate of \$_____ per month/year set forth above is an interim rate for a period of at least six months. The lessor will obtain an appraisal of the fair market rent for the leased property. Lessee agrees that lessor may adjust the rental rate based on the market rent appraisal by giving lessee 60 days prior notice.

NOTES: